



Statement

**NPES The Association for Suppliers of Printing,
Publishing and Converting Technologies**

Small Business Tax Reform: Growth through Simplicity

**Submitted to the
Committee on Ways and Means
United States House of Representatives**

April 15, 2013

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Printing, Publishing and Converting Technologies**

Statement Summary

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I. NPES Urges Pro-growth Tax Reform as Essential to Economic Recovery and Sustained Economic Security

NPES The Association for Suppliers of Printing, Publishing and Converting Technologies urges pro-growth tax reform as essential to a more robust economic recovery and sustained economic security, and commends House Ways and Means Committee Chairman Dave Camp for his leadership in advancing comprehensive tax reform designed to achieve these ends at this critical time in our nation's history. NPES believes the goal of tax reform should be to promote efficiency and economic growth, and that Chairman Camp is exactly right to include tax reform provisions designed to strengthen the economy by helping smaller businesses expand operations, hire new workers and increase wages. To that end, NPES commends and supports his proposals that would both simplify and make permanent tax laws critical to smaller businesses. These attributes, simplification and permanency, will greatly reduce current costs of tax compliance and facilitate business planning for the future.

II. NPES and the Graphic Communications Industry

NPES The Association for Suppliers of Printing, Publishing and Converting Technologies is a U.S. trade association whose over 550 member companies are engaged in the manufacture and importing for sale or distribution of machinery, equipment, systems, software and supplies used for design, assembly, production and distribution of information by companies in the graphic creation, design, prepress, package printing/converting, finishing and publishing industries. NPES member companies provide the technological foundation for one of the largest industries in the United States – graphic communications. Five hundred and fifty NPES members provide the essential equipment and supplies for an industry that includes more than 47,000 firms, employs nearly one million people, and records over \$156 billion in annual sales. While the ongoing shift to electronic communication, along with the recent severe recession and tepid economic recovery have all reduced industry volume and employment, the ubiquitous Graphic Communications industry is still a vital manufacturing employer that plays a critical role in the nation's communication and commerce. And while the graphic

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communications includes some very large companies, it is also the quintessential small business oriented industry, both in terms of printers and small business customer served by printers, as well as suppliers to the industry, many of which are NPES members who themselves are often relatively smaller companies.

III. 100 Percent Expensing Spurs Investment, Creates Jobs and Promotes Economic Growth

While Chairman Camp's discussion draft contains a number of important reforms for smaller businesses, NPES's focus in these comments is on the pro-growth economic power of capital investment and the proper way to account for it within the tax law. In this regard, NPES believes that the discussion draft's proposal to make permanent IRC Section 179 expensing at pre-stimulus levels, allowing smaller businesses to deduct immediately investments in new equipment and property up to \$250,000, with the deduction phased out for investments exceeding \$800,000 (with both amounts indexed for inflation), is certainly more preferable than allowing these levels to revert in 2014 to the very inadequate amounts of \$25,000 and \$200,000 respectively if no action is taken. However, NPES respectfully urges that more could and should be done to reduce the service price of capital, which historically has had a major impact on investment, employment and output. Ideally, this would entail moving to 100 percent expensing for all capital investment in equipment, including printing, publishing and converting technology.

Referring to Section 179 expensing as "small business" expensing is a misnomer in two respects. First, the provision is not limited to "small business" by whatever definition might be chosen for that term. It could just as well be employed by larger firms, but those businesses may find Section 179 inadequate due to its limits on the amount that can be expensed in a single acquisition, as well as the overall level of capital investment in a given year, which are the restrictions that give rise to the provision being referred to as "small business expensing."

Conversely, it is also quite possible that a "small business," might very well need capital equipment the price of which exceeds \$250,000, or that a printer may find it necessary or

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advantageous from a business perspective to exceed \$800,000 in total capital investment in a single year. In either case, the discussion draft Section 179 proposal would not be adequate, and hence our advocacy for 100 percent expensing of all capital investment in equipment as a permanent feature of the tax code.

So while NPES supports the IRC Section 179 proposal in the current Ways and Means Tax Reform Small Business Discussion Draft as preferable to the law reverting to much reduced, and we believe very inadequate levels that would obtain in 2014 if nothing is done, the Association also strongly believes that 100 percent expensing is the correct method of accounting for the service price of job-producing capital investment. A mid-range alternative could be making permanent the bonus depreciation and Section 179 provisions enacted under The Small Business and Work Opportunity Tax Act of 2007, the Economic Stimulus Act of 2008 and the American Taxpayer Relief Act of 2012.

IV. 100 Percent Expensing Should Not Compete with Other Pro-growth Tax Reforms

One hundred percent expensing should not compete with other pro-growth tax reforms. More particularly, giving up expensing or even decelerating depreciation deductions in exchange for other corporate tax reforms, such as rate cuts, should be avoided. Expensing and accelerated depreciation are timing issues that do not decrease tax revenue from the standpoint of the federal budget, and both have long been accepted as most efficient policies that properly encourage and account for capital investment that stimulates job-producing economic growth. They have a demonstrable record of bringing about new, more productive investment leading to greater economic activity that in turn generates greater tax revenues.

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V. Retain the Current Federal Estate Tax Exemption Levels or Repeal the Tax Completely

After years of changes and uncertainty, Federal Estate Tax rules became clear and stable with the 2012 year-end fiscal cliff legislation, and are for now set permanently into the tax code at least until the tax code changes again. To the latter point, although not part of the Small Business Discussion Draft, NPES supports the new inflation adjusted Federal Estate Tax exemption levels of \$5.25 million (individual) and \$10.50 million (couple) as adequate to avoid burdening the generational transfer of most family-owned small businesses and urges that they be maintained going forward in any tax reform effort, as full repeal of the tax remains politically elusive.

VI. NPES Stands Ready to continue to Work with Congress and the Administration to achieve the Vital Goal of Tax Reform that promotes Efficiency and Economic Growth.

In conclusion, NPES is grateful for the opportunity to contribute to the ongoing tax reform dialogue, and urges that the proven economic power of expensing and the vital job creating role of smaller businesses in the economy are fully factored into comprehensive tax reform. To that end NPES stands ready to continue to work with Congress and the Administration to achieve the vital goal of tax reform that promotes efficiency, business planning certainty and economic growth.

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